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UNITED STATES CIVIL SERVICE COMMISSION
BUREAU OF RETIREMENT AND INSURANCE
WASHINGTON 25, D.C.

ADDRESS REPLY TO
"U.S. CIVIL SERVICE COMMISSION"
AND REFER TO
FILE RH:EFM:hs
AND DATE OF THIS LETTER

March 27, 1961

[redacted]
Health Benefits Officer for CIA AND NSC
National Security Council
2430 E Street, N. W.
Washington 25, D. C.
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STAT

Dear [redacted]

There is enclosed for your information a copy of a Staff Paper prepared in this Bureau to guide our planning for the October 1 - 15 "open season" for health benefits enrollments. We believe that you will be interested in it, even though the "conclusions" are not yet firm, because some of the issues it discusses will have direct bearing on operations within your Agency. If you feel strongly that any of the listed conclusions should be changed, I will be glad to have your views.

STAT

Attachment 2 to the Staff Paper may be of special interest, since it establishes approximate target dates for completion of key actions required in preparation for the open season.

Sincerely yours,

Charles J. Nelson

Charles J. Nelson
Assistant to the Director

Enclosure:

STAFF PAPER - OCTOBER 1961 "OPEN SEASON"
(P. L. 86-382)

This paper discusses the major questions which must be answered before firm plans can be made for the October 1-15 "open season."

Under each question, alternate courses of action are outlined, along with their advantages and disadvantages. In each instance the alternative preferred is identified as the "conclusion."

Attachment 1 is a letter sent to carriers asking them to submit proposals for contract changes by March 31, 1961.

Attachment 2 establishes approximate target dates for completion of key actions required in preparation for the open season. These target dates have been scheduled on the assumption that the conclusions will be adopted.

Attachment 3 shows total of annuitants enrolled and is for use in connection with question 6.

* * * * *

We have no previous experience to draw on concerning the activity which can be anticipated as a result of the open season. We can only rely on statements obtained in our evaluation program, the early and very complete returns of which indicate that about 11% of enrolled employees would change plans if they had the opportunity. There will also be some shifts between options of the same plan, but we have no basis at all for estimating the volume at this time.

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1. Should we print separate brochures for the various Plans, or combine them?

A. Print a single book covering all approved plans.

Advantages

- The "boiler plate" applicable to all plans would need to be printed only once instead of 38 or more times
- Mechanics of distribution would be simpler, quicker
- Doctors, hospitals, and employing offices would have a single, complete, and (perhaps) more convenient reference document

Disadvantages

- The book would be bulky and complex, confusing to employees
- Every employee would get a great deal of information on plans not available to him
- Printing of the book would be seriously delayed, because the benefit and rate structures of all plans would have to be agreed upon and all copies would have to be approved before any printing could be done
- Printing and shipping costs would be substantially, possibly prohibitively higher, because every employee would be getting information on all plans

B. Print a single brochure covering the two Government-wide plans and a separate brochure for each one of the remaining plans.

Advantages

- A single booklet of reasonable size would suffice for many employees and many locations, simplifying stocking and distribution problems
- Comparison of the two major plans might be facilitated

Disadvantages

- Some carriers might object
- It would be harder, and would take us longer, to get the Government-wide brochure ready for printing because more people, with competing interests, would have to agree to it
- Employees might confuse the two plans more easily than if they were described in separate booklets

C. Print a separate brochure for each approved plan.

Advantages

- We, carriers, agencies have been through this procedure once, know what is involved--fewer surprises likely
- Carriers, agencies, and employees probably expect the same procedure, may resist change
- Brochures can be released to GPO as fast as we and the individual carrier concerned can agree upon them, can be distributed to agencies as fast as they come off the press
- Employee can destroy all brochures except the one describing his particular plan and so simplify the job of keeping up with the applicable benefits, rights, and requirements
- Distribution of a particular brochure can be pinpointed and confined to the particular area where it is needed

Disadvantages

- The same boiler-plate is duplicated in each of at least 38 brochures
- A large number of separate items have to be prepared, printed, inventoried, distributed
- The procedure looks wasteful

Conclusion: Adopt Alternate C.

- Improve clarity and accuracy of brochures wherever possible
- If feasible, include in each re-written brochure a page listing all major changes and explaining any changes in subscription rates
- Consider including in each brochure an example (or some questions and answers) showing how the plan would work
- Explore with GPO possibility of stocking bound copies of the complete set of brochures--to be bought by interested doctors, hospitals, medical societies
- Explore possibility of including boiler-plate in a new BRI folder of instructions to employees regarding the open season

2. Which brochure(s) should be given to employees?

- A. Give employee the brochure for his present plan only. Also give him a list of all available plans and let him ask for brochure(s) on any other available plan(s) in which he is interested.

Advantages

- Many employees who are well satisfied with their present plans and do not want to change would not be bothered with information about plans of no interest to them
- It should be possible to print and distribute fewer brochures
- Loss of Government time spent on discussing and comparing plans might be reduced

Disadvantages

- Employees might feel that they were being pressured to remain in their present plan
- Personnel offices might be swamped with visits, phone calls, and letters from employees asking for information about other available plans. Even satisfied enrollees may want to check what other plans have to offer
- Employees some distance from their employing office might not have enough time to obtain other brochure(s), arrive at a decision, and make their election while the season is still open
- All carriers might not feel that they were getting an even break--especially new ones and any who make radical changes in their plans
- Distribution of brochures would be extremely complicated, due to the necessity of getting the right brochure to the right employee
- We have no good basis for estimating the number of brochures that would be needed to comply with employee requests

- B. Give employees brochures on all plans available to them

Advantages

- Free and informed choice would be facilitated
- Employees probably expect to receive brochures on all available plans this time since they had them during initial enrollment, might resent or be suspicious of a change in distribution procedure
- Distribution would be less complicated
- Employing offices would not be exposed to the big workload of filling additional requests
- Carriers would all get the same "break"

Disadvantages

- The procedure looks wasteful
- The procedure probably is wasteful of brochures--many more brochures than are required to meet actual enrollment needs would have to be printed and distributed
- Employees will probably spend more Government time discussing and comparing plans than they would otherwise

Conclusion: Adopt Alternate B

- Distribute Employee Organization brochures to Employee Organization members, as before
- Explore possibility of giving every employee a new BRI instructions folder including, among other things, a list of all approved plans and information about how to obtain brochures on other Employee Organization plans

3. Which employees should re-register?

A. Have all employees fill out new SF 2809's

Advantages

- We would have positive evidence of each employee's decision
- We would have much better assurance that all employees were actually informed of the opportunity to change

Disadvantages

- More enrollment forms would have to be printed, distributed, and processed
- Much time and effort would be wasted because most employees will probably remain with their present plans

B. Provide that present enrollments continue unchanged unless a new 2809 is filed.

Advantages

- More efficient and less expensive--SF 2809's will have to be reviewed, processed, and filed only for the several thousand employees who make a change rather than for over 2 million employees

Disadvantages

- Some employees will complain that they did not know about the open season, were not given an opportunity to change
- Carriers disappointed in their enrollment might make the same complaint

Conclusion: Adopt Alternate B.

- Stress "continue unchanged unless you re-register" theme in press releases, instructions to agencies. Stress "nothing to do, no forms to fill out" if you don't want to change.

4. Should we tap the 3% contingency reserve for the new contract term?

A. Tap the reserve for those plans which actually need increases

Advantages

- Employees enrolled in those plans will not have to pay more
- Use of the reserve to stave off rate increases would be consistent with the stated purpose of the reserve

Disadvantages

- Other plans might be encouraged to seek similar relief, whether or not they need it
- Providing relief to some plans in advance of others might give unfair competitive advantage to some

B. Tap the reserve across the board--Simultaneously for all plans

Advantages

- All plans would be treated alike
- Plans which do not need rate increases could apply the reserve to increased benefits

Disadvantages

- All plans do not need relief
- Reserves may not be big enough yet
- Publicity would be unfavorable

C. Hold the line - permit no tapping of reserves for any plan at this time

Advantages

- Carriers would be discouraged from resorting too readily to the reserve
- Carriers which need relief can obtain it by raising rates
- There will be more time for reserves to build up to adequate levels
- Rates, originally based on actuarial estimates, can be firmly pegged to experience

Disadvantages

- We would be denying use of the reserve for the very purpose it is supposed to serve
- Plans which succeeded in keeping costs down in the past but can no longer hold the line may be placed in an unfavorable competitive position if they have to raise rates for the second contract term.

Conclusion: Adopt Alternate C for this contract term

- Notify carriers of this decision (several have already asked)
- Encourage carriers to adjust rate benefit structures this year on basis of their own experience to date and of the suggestions and reactions of their own enrollees
- Tell carriers that if they plan to increase both benefits and rates, they should be prepared to spell out how much of the rate increase is due to increase in benefits

(Contingency reserves may be tapped during future years, when it is established that a rate increase is justified, in order to avoid, or reduce, higher premium charges to employees.)

Arrange to obtain outside advice on proposed rate increases--whether justified, and how much.

5. Should there be another round of training in preparation for the open season?

- A. Dispense with training of agency representatives and encourage them to dispense with mass counselling of employees; furnish agencies clear written instructions and the necessary brochures and forms; and rely on them to follow the instructions and get the necessary registering done.

Advantages

- Neither employees nor agency representatives would have to lose time to attend training meetings
- Neither we nor agency representatives would have to round up hard-to-find conference space; design and duplicate training aids; prepare for and lead training conferences
- Both agency representatives and employees would be forced to assume more personal responsibility
- We would not appear to be "making a production" of the open season

Disadvantages

- Time we and agency representatives save by not conducting training conferences might be more than offset by time spent on individual counselling
- Time required for individual study by agency representatives could well equal the time that would be required to attend training conferences
- Results achieved through training conferences would probably be of better quality than those achieved through individual reading only
- Program is so complex that there are many misunderstandings even with training; without it, the number and seriousness of misunderstandings may increase
- CSC staff would lose some of the expertise that comes with having to learn the program well enough to teach it; some of the insight into problems that comes from direct contact with agency representatives on the firing line; some of the valuable agency contacts and good-will accruing from its role of training and helping rather than controlling and correcting.

- B. Dispense with CSC-sponsored training; allow carriers to go into agencies and conduct training on their own plans; furnish agencies clear written instructions and necessary brochures and forms; rely on them to get the necessary re-registering done.

Advantages

- CSC's staff would not have to arrange space, supplies, and equipment for training of agency representatives or prepare for and lead training conferences
- Carrier representatives would feel more fully the direct pressures of consumer dissatisfactions with and confusion about their plans
- Many agencies and many employees want to meet carrier representatives who are considered to be the experts on their respective plans

Disadvantages

- Carrier representatives may not explain their plans accurately, objectively, and without sales pressure
- All carriers may not be able to make available a large enough number of qualified representatives to meet the demand during the time period that is available
- Costs of training conducted by the carriers would be charged to the program and might well equal or exceed the cost of similar training conducted by CSC
- Agencies would probably have a real "equal time" problem with carriers
- CSC's staff members would lose some expertise, insight into problems, agency contacts and good-will. CSC would be surrendering a powerful tool for influencing the program in the future
- Carrier representatives could not give authoritative answers on questions concerning the program, e.g. permitted changes, effective dates, family members.

- C. Furnish agencies clear written instructions and necessary brochures and forms; train agency representatives, in Washington and the field, on significant changes in the regulations, on processing of forms, and on the revised plans.

Advantages

- CSC's staff would probably provide a better explanation of the program and plans than agency representatives could obtain in any other way, despite the belief of some that carrier representatives are better informed
- Training would reinforce written instructions, brochures, and other materials which, in any event, will be the best we can produce
- CSC's expertise, insight into problems, contacts, good-will, and influence over the program would be maintained

Disadvantages

- Carrier representatives will not be exposed to the direct pressures of agency representatives and groups of employees
- It would be necessary for us to obtain training space; to devise, duplicate and distribute training materials; and to organize training conferences for approximately 30,000 agency representatives—a "production" in fact as well as appearance.

Conclusion: Adopt Alternate C.

6. How should the open season be handled for annuitants?

The Bureau of Retirement and Insurance now serves as "employing office" for about 14,000 enrolled annuitants (retired employees and survivor-annuitants) whose enrollments are distributed among the various types of plans as shown in Attachment 3. This number may rise to 30,000-50,000 by October. These annuitants, like active employees, will have an open season October 1 through 15. Our problems with them are not the same as with active employees, though some of the same questions arise. We need to decide--

- A. What brochure(s) should be given to them
- B. Whether all of them should be asked to re-register
- C. Whether to use the same or a different registration form
- D. Whether registration forms should be sent to all of them initially.

A. Brochures

- (1) Give each annuitant the brochure for his present plan only, plus a list of other plans and information about how to obtain brochures on them.

Advantages

- Many annuitants who will stay with their present plan wouldn't be bothered with information on plans of no interest to them
- Distribution of brochures would be simpler, and possibly less expensive, for BRI.

Disadvantages

- Annuitant might feel he is pressured to remain with his present plan. Since he is promised only this one open season, he may want to check all available plans and may feel that he should be able to do so without having to request additional brochures.
- We would be treating employees and annuitants differently, which might prove confusing to some and could be regarded as discriminatory.
- We would have to devise a reasonably sure, convenient, and inexpensive method of making additional brochures available; we might spend more time and money answering requests for additional brochures than if we sent them in the first place.

- (2) Give each annuitant brochures on all plans available to him.

Advantages

- Annuitants would automatically receive information enabling them to exercise full and free choice among plans

Disadvantages

- It would be very difficult for BRI to determine which brochures should be sent to each annuitant
- Annuitants receiving several brochures might be confused by the volume of information, and many would have no readily accessible counselling service to help them out of their confusion.

Conclusion: Adopt Alternate (1). The difficulty of determining which brochures should be sent is considered overriding. To make this decision more workable, we should consider--

- so designing the list of available plans that the annuitant can simply check it and return it to CSC, postage-free, to request additional brochure(s)
- including in our instructions to annuitants a suggestion (after appropriate clearance) that additional brochures may be inspected and/or obtained from the personnel office of the former employing agency, from a nearby first- or second-class post office, or from CSC in Washington or Regional Office cities.

B. Who Should Re-Register

- (1) Have all annuitants re-register

or

- (2) Continue present enrollments without change unless a new registration form is filed.

The advantages and disadvantages of each of these alternates are generally the same as those listed in the discussion of this question as applied to active employees.

Conclusion: Adopt Alternate (2).

C. What registration form should be used

- (1) Use SF 2809

Advantages

- Form is already designed, approved, and available
- Agencies, which will help some annuitants, are already familiar with it
- It provides all information required by carriers, who are also familiar with it and whose systems are geared to its use
- The form is an all-purpose one, can be used, eliminates necessity for designing, distributing, stocking an additional item

Disadvantages

- Form would be very difficult for annuitants to fill out correctly, and many will not have ready access to counsellors who can help
- Copies are likely to be illegible (because of folding and handling and because of being handwritten at home)
- Form contains much information and instructions, not applicable to open-season changes, which may cause confusion

(2) Use a simplified version of SF 2809

Advantages

- Information and instructions not applicable to open-season changes could be deleted, so that form would be easier for annuitants to fill out correctly
- The three-copy, interleaved carbon set would provide all needed information to losing and gaining carriers without requiring BRI to prepare any special report

Disadvantages

- An additional item would have to be designed, printed, distributed, and stocked
- Copies are likely to be illegible

(3) Combine a new registration form with an IBM card used as a mailer (As for the Retired Employees Program)

Advantages

- Information and instructions not applicable to open-season changes could be deleted, so that the form would be easier for annuitants to fill out correctly
- Much of the information (name, address, date of birth, present enrollment code number) could be pre-punched into the card from our annuity-roll deck--it would be legible, accurate, require little or no review upon return, and would leave the annuitant very little to write in

Disadvantages

- An additional item would have to be designed, printed, distributed, and stocked
- Since there would be no copies, we would have to devise a special method of reporting changes to both losing and gaining carriers

Tentative Conclusion: Adopt Alternate (1) and give the annuitant a 2809 already partially filled out for him here or a specially illustrated instruction sheet showing him how to do it himself.

D. Distribution of Registration Forms

(1) Enclose a registration form with the brochure and other information which will be sent to every annuitant.

Advantages

- Annuitants desiring to change plans would not be inconvenienced or delayed by having to request registration forms
- Postage and handling costs to us would be less

Disadvantages

- The system might invite changes which would otherwise not be made
- Annuitants desiring to keep their present enrollment codes might be confused by a form they are not going to use.

- (2) Have employees who wish to change enrollment codes request the registration form.

Advantages

- Change for the sake of change would be discouraged

Disadvantages

- Annuitant would be inconvenienced and delayed (though delay would not penalize him)
- Filling requests would require more work on the part of all concerned
- Annuitant might feel pressured to remain in his present plan

Conclusion: Adopt Alternate (2). To reduce inconvenience--

- provide a postage-free form for the annuitant's use in requesting registration blank
- include in our instructions to annuitants a suggestion (after appropriate clearance) that forms may be available from the personnel office of the former agency, from a nearby first-or second-class post office, or from CSC in Washington or regional office cities.

Attachment 1

UNITED STATES CIVIL SERVICE COMMISSION
BUREAU OF RETIREMENT AND INSURANCE
WASHINGTON 25, D. C.

RH:IK:ams
March 3, 1961

Copy of Letter Sent to Carriers

Your health benefits contract with the Civil Service Commission provides that it will be continued without change for the new contract term beginning November 1, 1961, unless at least 60 days prior to that date either party gives notice of intent to terminate the contract, or unless prior to that date, we mutually agree on changes in the contract. The purpose of this letter is to ask you to let us know about any changes you would propose in your contract so that we can make early preparations for the "open season" scheduled for October 1-15, 1961.

Specifically, we would appreciate receiving a statement of any changes which you propose to make in (1) the benefits now provided by your plan and (2) the biweekly subscription rate of either option of your plan. In addition, we would appreciate your marking your present brochure to (1) reflect any changes which you believe should be made to show more accurately and explain more clearly the current benefits of the plan and (2) describe any changes in benefits which you are proposing. We are considering labeling the brochure in some way as the certificate of insurance and want to assure that it reflects simply but as accurately as possible all the benefits, limitations, and exclusions of the contracts.

As you know, we are now making a survey of employee attitudes regarding the health benefits program and the various participating plans. As the results of our evaluation pertaining to your plan become available, we will let you have this information. In this way both you and we will be informed of employee attitudes toward your benefit structure and other aspects of your plan. This information plus your experience and ours during the first contract term, should enable us to effect improvements.

For your information in thinking about proposed changes for the next contract, you should assume that the Government contribution to the cost of an employee's enrollment will remain the same as now and that the three percent contingency reserve will not be available to finance any rate increase. Therefore, if a rate increase is necessary because you propose to increase benefits or for other reasons, the additional cost will have to be borne by the employee. We have concluded that the three percent contingency should not be authorized for use at this time, because the contract renegotiations and the October 1961 open enrollment period provide full opportunity to adjust premiums to recent experience. This year's

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concern is largely one of adjusting estimates of cost which last year had to be made without benefit of any experience with these new plans.

If it is feasible, we intend to explain to employees how much of any rate increase is due to new benefits and how much to other reasons. If you propose upward rate changes, we would like to have your best judgment at this time as to how much of the increase is attributable to new benefits you propose to offer and how much is attributable to other specific reasons (for example, the higher cost of current benefits). Please break this information on increased rates down by option and by type of enrollment (single or family). We realize that your judgments on this matter will be tentative at this time but there will be opportunity for adjusting these figures before contract negotiations are completed.

The foregoing assumes that any rate changes will be upward. We hope, of course, that in some cases rates may be lowered.

Before the "open season" (October 1-15, 1961), we will have to inform employees of the changes in plans and give them an opportunity to change their elections. Although tentatively we plan to print and distribute new brochures when any significant changes are made in a health benefits plan, I will be glad to have your views on the best ways in which the information on changes in the present plans and on any new plans that will be participating in the program can be made available to employees.

I am looking forward to your reply and hope that you will be able to submit the information requested no later than March 31, 1961, or earlier if possible as we have set July 1, 1961 as the target date for completing preparations for the "open season." The sooner we have your proposal, the sooner we can discuss it with you and complete preparations for your plan.

On or about July 1, 1961, after renegotiation of contracts of participating plans has been completed, we will simultaneously announce the changes, if any, made by each plan. We do not propose to give advance publicity to changes made by any plan, including the Government-wide plans. We believe that any changes in the benefits structure of a plan should reflect the experience of that plan and should not be based on the benefits provided or proposed by any other plan. Additionally, our experience last year showed that most carriers were reluctant to divulge their benefits structure to other carriers in advance of the signing of contracts.

Sincerely yours,

Andrew E. Ruddock
Director